



## Agter's thematic meetings

# Land governance in China : stakes and constraints



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## [Vidéo #1]

**Peter Hô:** I think that there are two concepts that it's good to bear in mind. The first concept is credibility and the second concept is the concept of empty institution. And basically the two concepts are very opposed to each other. You might see that the credibility, or a credible institution basically means an institution that can rally sufficient social support in society and in economy in order to make that institution work. The empty institution, on the other hand, is an institution that creates a lot of social conflicts and that is incredible in certain ways.

When you look at the way how the Chinese state is dealing with the land question so to say, I think you can see that, on the whole, it is able to steer this very difficult transition and this very difficult question in rather a successful way without really much major social disruption. I think one of the keys to understanding that is the fact that it is also able to back away and to stand away, as a state, in institution development, rather than facilitate institution development, instead of imposing it. If we look at land, why is it important in Chinese context ? Land is first of all the last vestige of Chinese socialist past. Why so ? Because if you look at the means of production you see that labor and capital are increasingly being privatized but land is basically still in hands of the state and the collectives. This basically also means that, when you are talking about China's future and China's future development, the land question will play a crucial role in that. You can see that land has become an enormous source of wealth in Chinese society. Real estates list today as one of the ten most profitable industries in China.

Let's have a look at the theory. If you look at neoliberal theory, it has basically three premises: the first premise is that land needs to be private, so land property needs to be privatized. Second premise : land property needs to be formal, it needs to be protected and described in law, and as titled and registered. And last : the land property must to be secure, so it must be exclusive, you must be able to exclude others from its use and from other rights, and it needs to be long term. If institutions can be protected by the state but left to the market, then a real functioning market should be able to develop. That is the neoliberal theory. However, I think if you look at the Chinese context, what you will see is that China contradicts theory. First of all, land is not private but it's in the hand of the state and the collectives. Secondly, land is not formal but it is usually informal. In fact, most of the land is actually not registered. There is no national cadaster in the Chinese context. And lastly, as you have seen already in this picture before that I showed you at the beginning, land property is not secured at all. I mean, even the former minister of foreign affairs can loose his land, can loose his property. So, it's far from secure. And the bathening thing is that China, despite all these contradictions, has been able to achieve this double digit 10 % growth over the past thirty years. One of the keys to understand leads to that concept of credibility, namely "how can the state create or how can the state foster or facilitate the establishment of credible institutions ?". I think that, in order to understand that, it seems that it really doesn't matter what the exact nature of this institution is. Whether it is formal or informal, whether it is private or state owned or collective or whether it is secure or insecure, that's not the question, that's not the main thing. The main thing is whether it is a credible institution or not.

The question is who owns the land in China ? And the funny thing is, when you ask that question in China, and you go to a farmer and you ask that farmer "who owns that land ?", the farmer will often say "It's the village that owns that land". If you go to the township, which is a different administrative level, the township might tell you "well, the township is representative of the collective in China and the village is not, so we are the representative". If you go to the county which is a level even higher, then the county might

say “well, we are actually the lowest level of the state, it's really depends on what kind of land you are looking at, and we think that the county, as a collective, can not represent that ownership”. The higher you go, the most different answers you get.

And the funny thing is that when you ask the farmer in China... Because the farmers in China they are allowed to lease the land. They can lease it for up to 30 years, from the village, but the village, often times, takes away the land every 4 to 5 years and reallocates it to other people in the village. And the interesting thing is that the support for this land reallocations is around 80,6 % in the late 1980's, it dropped a little bit to 62,2 % in the late 1990's, but when I did a survey in 2005 over the whole country and I can see that it backed to 70 %. What these figures tells you is that the major proportion of farmers actually supports a property rights structure that is insecure.

And you basically can see what China has been doing over the past 30 years in terms of dealing with its surplus rural labor, that rural labor that is basically living off the land day by day and surviving on that land. And to give you that example I would like to put it in comparison : here you see the Netherlands' proportion of rural labor. The Netherlands is a country which has a large agricultural export in the world and in the 1930's it was around 80 %, in the 1950's, when Netherlands starts industrializing, it dropped to 12 %, and today it's around 2 to 3 % of dutch population is still farmer. In the Chinese context, you see that it is almost 90 % in the 1930's, and today it is around 50 % who is farmer in the Chinese context. I think what is interesting to see is that the property right structure of China and the property rights structure of agriculture was able to sustain that transfer of rural labor. You can see that here, because the rural lease system provided a stable base of livelihood for farmers. Because they had a stable base of livelihood, it also enabled the rural China industrialization. Because of the rural industrialization, the surplus labor dropped from 80 % to 60 % from 1979 to 2004. There was a decline in rural poverty from 30 % to 2,8 %, less than 3 % over the same period. It led to the diversification of China's agriculture on the long term, and, mind you, all this was basically achieved without major social, political and economical disruption as we have seen, for example, in the former soviet union, which completely collapsed.

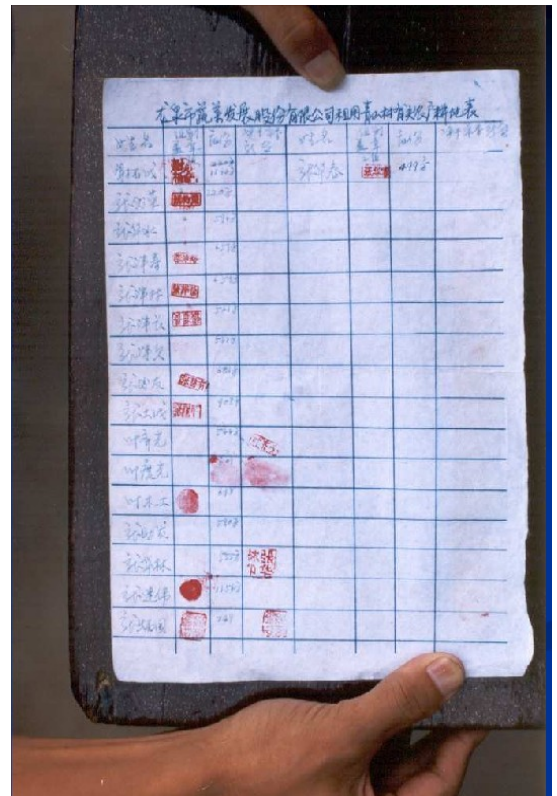
**Question :** The questions is indeed : What is the credibility of a state that still has the hands on land; and why is there no conflict ? Is it because the justice in China doesn't allow the farmers to claim or is it because it's even impossible to talk about expropriation since talking about expropriation requires to be a landowner?

**Peter Ho :** It's a sort of contradiction between on the one hand my argument that the institution structure is basically credible, for the other side it seems that there are no conflict at all but still there are conflicts. I think that that's this sort thing that puzzles you. I think that credibility doesn't mean that there are no conflicts. In fact when you do see the Chinese context you do see that there are a lots of conflicts present, as well as there are potentially even larger conflicts present that might erupt.

I think on the one hand China over the past thirty years has been able to guide its transition without major social instability. And I think that that is the main indicator so far. So China did not collapsed, contradictory to the expectations of many people that China would collapsed, it did not. And I actually also don't expect that China will collapse although a lot of people still thing so.

What you do see is that there are a lot of externalities of development, and it also has much of its downsides. And I think these downsides are the thing that you see. So people that are being resettled, the problems of forced evictions, the environmental problems of China, these are definitely the downsides of China's development. But without giving any moral

judgment on that, I think if you look into the institutional structure of China in its current face of development, much of the enormous growth has actually been possible because of this specific institutional structure. So, a structure that is insecure, a structure that is not private and a structure that is not protected by law.



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## [Vidéo #2]

**Sylvie Dideron:** During the decollectivization in China, all the means of production, included the land, were redistributed at a village level. The village was the former production unit. All of the rights on the land were redistributed to families depending on the number of mouths to be fed.

So the head of the family received the title, for land use rights; and these rights could be inherited. Over time, the duration of these rights varied and increased; now, for agricultural lands, they last for 30 years. One interesting thing about this reform is that, in the very beginning, each village maintained a land reserve which could be regularly redistributed according to local will, in response to population changes. For example when someone died, or was born, or when a woman married outside of the village and left, land distribution was re-adjusted as necessary. This is no longer the case now.

When it comes to agriculture, it's clear that the farmland belongs to the collective. What is meant by collective is ambiguous; but we do know that these lands belong to the village and not to the state. What is also clear is that according to Chinese law, all other natural resources, forested lands, and pasture lands, belong to the state. The collectives often sign contracts with entrepreneurs; particularly in places that had previously been deforested, but which the state was intending to reforest. So, they invite investors capable of mobilizing capital and labor to re-plant trees. Now obviously, this is contradictory, because the land use rights had already been attributed to families; and, at the same time, the village, or rather the village committee, which is an elected group of mayors, take the initiative in spite of the fact that the law doesn't designate them as representatives of the collective; the term 'collective' is not defined by property law. And yet they sign contracts with businesses that come to plant trees. Very often, these contracts cover a period of 20 or 30 years.

In October 2008, the 17th Congress of the Communist Party of China made statements that led many foreigners to believe that the land was going to be privatized, or at least to wonder about it. But in fact, the Chinese communist party emphasized that they intended to facilitate the transfer of land rights, not to change their structure or their nature, that is to say the ownership of the land. Here, I'm only referring to land in rural areas, not in urban areas. So the land is state property, it's collectively owned (though what that means exactly is somewhat unclear) but the rights of use are allocated to individuals. This is not being questioned. What is being questioned is the facility with which they can be transferred, in other words the facility with which land use rights can be subleased to other people.

In the Province of Jiangxi, which is a very important region for rice cultivation, one of the 'bread baskets' of China, I observed that the majority of family farms producing rice had contracts with large industrial rice mills that process and export rice. These companies, which are mainly Chinese, control all steps of the commercial chain : production, processing and export. They provide capital to small farms that don't have the means to invest in equipment or to purchase fertilizer every year. This ends up being a form of land concentration, as the contracts tend to be based on a relationship of dependence between the peasants and the corporations, which control a significant portion of land.

A final form of agricultural organization that I would like to address is the agricultural cooperative. For a few years now, the Chinese government has been encouraging the formation of what are called 'agricultural cooperatives.' What we've noticed in the field is that these cooperatives are often formed by one person with the means to invest, who brings together more than one family on one farm, to cultivate or to raise livestock on a large scale. So, in reality, what are called 'cooperatives' are frequently composed of one principal investor, who controls most of the shares of the cooperative, and other members,

smaller farmers whose role is to provide the association with a work force. What they also provide, or what they help obtain, is support from the state, which, in order to encourage the formation of cooperatives, offers support for installation, and subsidies, to each of its members.

It is one of the state's major goals to move towards larger farming structures, which are believed to be more productive; this is the underlying hypothesis. There are a number of examples that illustrate this; one is the law on agricultural cooperatives, which I've been speaking of; secondly, there is the authorization I mentioned, facilitating the transfer of land use rights, which is without a doubt intended to facilitate land concentration. We can situate these in the more general context, that of the Chinese government's firm commitment to their main priority, economic growth. This is reflected in policies that strongly encourage investors from outside of the agricultural sector to invest in agriculture.

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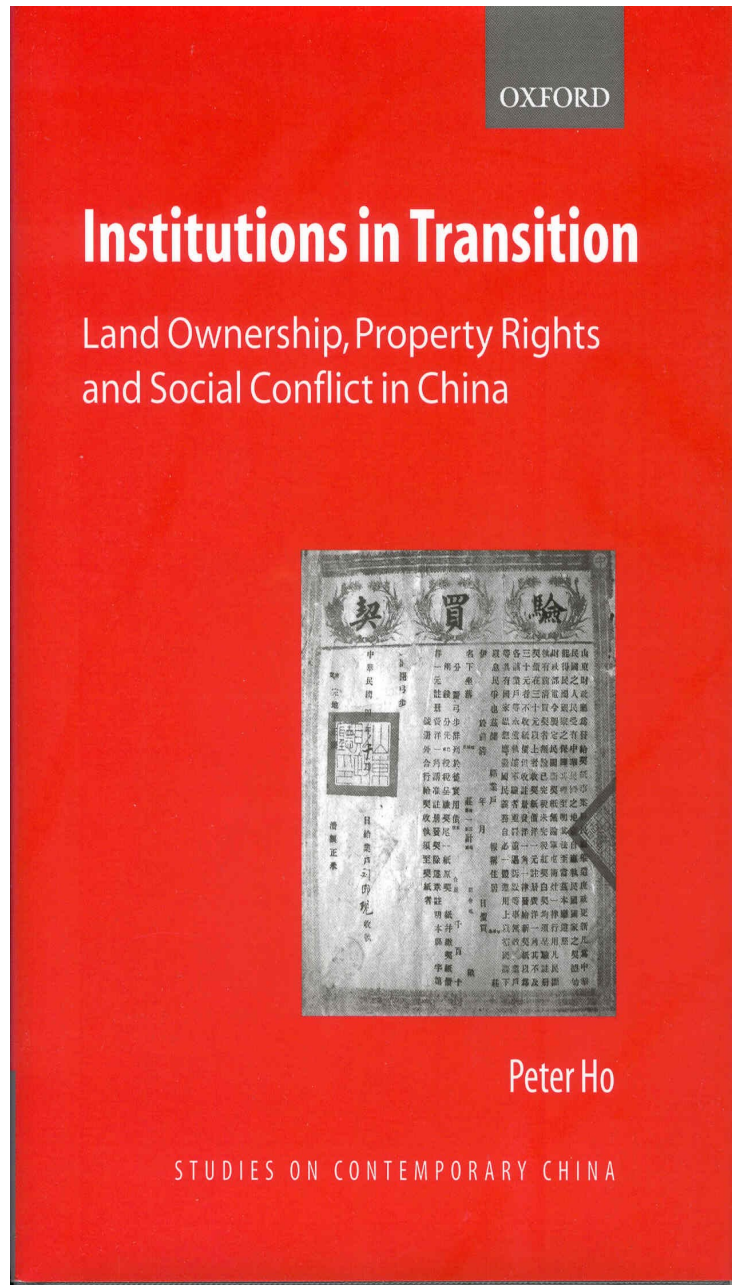
**Michel Merlet:** The presentation that Peter has made is very appealing, but at the same time, potentially misleading, in claiming that there is no such thing as property. Though I've never foot set in China, I get the impression that their conception of rights over the land is so ingrained that it has not been necessary to institutionalize it. In other words that there is a certain recognition of people's rights, which allowed decollectivization to happen the way it did, and not, for example, the way it happened in the Soviet Union.

**Peter Ho:** I think that the way how China deals with property actually proves the way how they deal with credibility, because the reason why China was successful it's because, at a certain point they said: "ok, let's be pragmatic here, let's not go the way like the Soviet Union and we have to privatize it, but we just go with the flow, we respect our socialist background with state and collective ownership, and we do some privatization of the land use rights, so we don't privatize the ownership but we just privatize the land use rights". That's what they did.

However, when they did so, the idea was still to have secure, private use rights. What they did find out after these thirty years, and during these thirty years, is that the village was still redistributing this land, and it was not secure. The government was saying: "maybe we should try to make it secure and put it in law, but actually the reason why it is not secure is because the villages are confronted with a large overpopulation. So, if somebody dies in a family and there is a baby in another family, the village authorities will take the land away from the family who has somebody who died to the family with a new born. And in this way, they organized that everybody has equal access to land. This is an informal property right. It is informal, but it is supported, and that is why it is credible.

The government, at a certain point, realized that this was the case, so that's why they backed off. I think that's the reason why it works not to have a government who says at a certain point: "ok, we must have private, so we make it private and we make it secure" No, at a certain time the government said: "ok, hands off, let's leave it as it is".

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